

**AMERICAN FOUNDATION  
FOR CHILDREN WITH AIDS, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009  
AND  
INDEPENDENT AUDITOR'S REPORT**

**HAMILTON & MUSSER, P.C.**  
*Certified Public Accountants*

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

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For the Years Ended December 31, 2010 and 2009

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
American Foundation For Children With Aids, Inc.  
Harrisburg, Pennsylvania

We have audited the accompanying statement of financial position of American Foundation For Children With Aids, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of American Foundation For Children With Aids, Inc. as of December 31, 2009, were audited by other auditors whose report dated March 31, 2010, expressed an unqualified opinion on those statements. As discussed in Note 9, the Organization has restated its 2009 financial statements during the current year to record gifts in kind at the time of donation and to record temporarily restricted contributions, in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the 2009 financial statements before the restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of American Foundation For Children With Aids, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 9 that were applied to restate the 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

March 4, 2011

Mechanicsburg, Pennsylvania

*Certified Public Accountants*

*Members of the American and Pennsylvania Institutes of CPAs*

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Statements of Financial Position

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and Cash Equivalents		
Unrestricted	\$ 155,597	\$ 125,139
Temporarily Restricted	49,640	39,445
Restricted for St. Mary's Mission Hospital (Note 2)	296,607	113,500
Accounts Receivable	886	120
Inventory	546,586	431,460
Prepaid Shipping	-	6,735
Unconditional Promises to Give, Net (Note 4)	<u>-</u>	<u>33,000</u>
 Total Current Assets	 <u>1,049,316</u>	 <u>749,399</u>
Equipment		
Computer Equipment	1,674	1,674
Computer Software	<u>2,592</u>	<u>2,592</u>
	4,266	4,266
Less: Accumulated Depreciation	<u>(4,266)</u>	<u>(4,266)</u>
 Total Equipment	 <u>-</u>	 <u>-</u>
 Total Assets	 <u>\$ 1,049,316</u>	 <u>\$ 749,399</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 47,417	\$ 29,817
Other Liabilities	400	-
Due to St. Mary's Mission Hospital (Note 2)	<u>296,607</u>	<u>113,500</u>
 Total Current Liabilities	 <u>344,424</u>	 <u>143,317</u>
 Total Liabilities	 <u>344,424</u>	 <u>143,317</u>
Net Assets		
Unrestricted	655,252	533,637
Temporarily Restricted (Note 3)	<u>49,640</u>	<u>72,445</u>
 Total Net Assets	 <u>704,892</u>	 <u>606,082</u>
 Total Liabilities and Net Assets	 <u>\$ 1,049,316</u>	 <u>\$ 749,399</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Statement of Activities

For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Changes in Unrestricted Net Assets			
Support and Revenue			
Contributions	\$ 914,549	\$ 58,426	\$ 972,975
Grants	72,189	-	72,189
Gifts in Kind	5,276,275	-	5,276,275
Interest	697	-	697
Net Assets Released from Restrictions	<u>81,231</u>	<u>(81,231)</u>	<u>-</u>
 Total Support and Revenue	 <u>6,344,941</u>	 <u>(22,805)</u>	 <u>6,322,136</u>
Expenses			
Program Services:			
Commodity Distribution	<u>5,452,956</u>	<u>-</u>	<u>5,452,956</u>
Support Services:			
Fundraising	683,624	-	683,624
Administration	<u>86,746</u>	<u>-</u>	<u>86,746</u>
 Total Support Services	 <u>770,370</u>	 <u>-</u>	 <u>770,370</u>
 Total Expenses	 <u>6,223,326</u>	 <u>-</u>	 <u>6,223,326</u>
 Change in Net Assets	 121,615	 (22,805)	 98,810
Net Assets, Beginning of Year	<u>533,637</u>	<u>72,445</u>	<u>606,082</u>
Net Assets, End of Year	<u>\$ 655,252</u>	<u>\$ 49,640</u>	<u>\$ 704,892</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Statement of Activities

For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Changes in Unrestricted Net Assets			
Support and Revenue			
Contributions	\$ 1,125,176	\$ 76,024	\$ 1,201,200
Grants	36,879	-	36,879
Gifts in Kind	6,959,378	-	6,959,378
Interest	480	-	480
Net Assets Released from Restrictions	<u>3,579</u>	<u>(3,579)</u>	<u>-</u>
Total Support and Revenue	<u>8,125,492</u>	<u>72,445</u>	<u>8,197,937</u>
Expenses			
Program Services:			
Commodity Distribution	<u>6,719,870</u>	<u>-</u>	<u>6,719,870</u>
Support Services:			
Fundraising	893,021	-	893,021
Administration	<u>73,188</u>	<u>-</u>	<u>73,188</u>
Total Support Services	<u>966,209</u>	<u>-</u>	<u>966,209</u>
Total Expenses	<u>7,686,079</u>	<u>-</u>	<u>7,686,079</u>
Change in Net Assets	439,413	72,445	511,858
Net Assets, Beginning of Year	<u>94,224</u>	<u>-</u>	<u>94,224</u>
Net Assets, End of Year	<u>\$ 533,637</u>	<u>\$ 72,445</u>	<u>\$ 606,082</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>Support Services</u>		
	Commodity			
	<u>Distribution</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Advertising	\$ -	\$ 674	\$ -	\$ 674
Bookkeeping	-	-	6,250	6,250
CFCA Set-up	-	-	12,439	12,439
Climb Fees	-	31,480	-	31,480
Conferences	-	-	3,860	3,860
Consulting	35,004	32,234	20,254	87,492
Credit Card Fees	-	13,930	-	13,930
Insurance	1,431	-	1,065	2,496
Livestock	2,461	-	-	2,461
Medicines and Supplies	5,150,410	-	-	5,150,410
Miscellaneous	3,394	5,314	309	9,017
Postage	1,922	143,220	741	145,883
Printing	-	8,451	18	8,469
Professional Fees	-	-	12,637	12,637
Professional Fundraiser Costs	-	416,155	-	416,155
Professional Services	-	-	16,261	16,261
Rent	6,300	-	9,600	15,900
Shipping	198,960	-	-	198,960
Supplies	11,643	10,243	938	22,824
Telephone and Internet	-	-	2,133	2,133
Training	18,770	-	70	18,840
Travel	17,432	21,923	171	39,526
Utilities	4,772	-	-	4,772
Vehicle	457	-	-	457
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	<u>\$ 5,452,956</u>	<u>\$ 683,624</u>	<u>\$ 86,746</u>	<u>\$ 6,223,326</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2009

	<u>Program Services</u>	<u>Support Services</u>		
	Commodity			
	<u>Distribution</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total</u>
Advertising	\$ -	\$ 7,833	\$ -	\$ 7,833
Bookkeeping	-	-	6,250	6,250
CFCA Set-up	-	-	670	670
Consulting	33,582	-	19,210	52,792
Fundraising Events Direct Costs	-	55,395	-	55,395
Insurance	-	-	460	460
Medicines and Supplies	6,527,918	-	-	6,527,918
Miscellaneous	403	1,843	1,280	3,526
Postage	-	88,671	673	89,344
Printing	-	98,941	334	99,275
Professional Fees	-	-	12,706	12,706
Professional Fundraiser Costs	-	591,113	-	591,113
Professional Services	-	42,784	12,956	55,740
Rent	-	-	9,600	9,600
Shipping	129,292	-	-	129,292
Storage Facility	9,555	-	-	9,555
Supplies	3,794	5,924	648	10,366
Telephone and Internet	-	114	1,997	2,111
Training	-	-	1,394	1,394
Travel	14,060	403	5,010	19,473
Vehicle	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
 Total Expenses	 <u>\$ 6,719,870</u>	 <u>\$ 893,021</u>	 <u>\$ 73,188</u>	 <u>\$ 7,686,079</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Statements of Cash Flows

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Change in Net Assets	\$ 98,810	\$ 511,858
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided (Used) by Operating Activities:		
Donated Stock	(27,547)	-
(Increase) Decrease in:		
Accounts Receivable	(766)	(120)
Inventory	(115,126)	(431,460)
Prepaid Shipping	6,735	(6,735)
Unconditional Promises to Give	33,000	(8,000)
Increase (Decrease) in:		
Accounts Payable	17,600	(5,314)
Other Liabilities	400	-
Due to St. Mary's Mission Hospital	<u>183,107</u>	<u>(232,110)</u>
Net Cash and Cash Equivalents Provided (Used) by Operating Activities	<u>196,213</u>	<u>(171,881)</u>
Cash Flows from Investing Activities		
Sale of Investments	<u>27,547</u>	<u>15,435</u>
Net Cash and Cash Equivalents Provided by Investing Activities	27,547	15,435
Net Increase (Decrease) in Cash and Cash Equivalents	223,760	(156,446)
Cash and Cash Equivalents, Beginning of Year	<u>278,084</u>	<u>434,530</u>
Cash and Cash Equivalents, End of Year	<u>\$ 501,844</u>	<u>\$ 278,084</u>
<u>Supplemental Cash Flow Disclosures:</u>		
Cash Paid for Interest	\$ -	\$ -
Cash Paid for Taxes	-	-

The Accompanying Notes are an Integral Part of the Financial Statements

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2010 and 2009

**NOTE 1**

**NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities:**

The American Foundation For Children With Aids, Inc. (the Organization) is a nonprofit corporation founded March 23, 2004 whose mission is to help HIV+/AIDS children and their guardians in sub-Saharan Africa who have no other access to aid. AFCA provides critical AIDS and related medications, medical equipment and supplies, nutritional supplements, and emergency supplies that are requested by the institutions in its targeted areas. The Organization solicits funds for its endeavors.

In 2007, the Organization became the pass-through entity for the 501(c)(3) donations for St. Mary's Mission Hospital in Nairobi and Elementita, Kenya. The amounts collected by the Organization are recorded as a liability on the statement of financial position.

**Basis of Accounting:**

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation:**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets.

**Revenue Recognition:**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no permanently restricted net assets.

**Cash and Cash Equivalents:**

For the purpose of the Statement of Cash Flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Promises to Give:**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Fundraising is primarily carried out by a professional fundraising company which utilizes telemarketing techniques to initiate contact with interested parties. Mailings describing the Organization's activities are then mailed to collect on the promise.

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2010 and 2009

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Promises to Give (Continued):**

The Organization uses an allowance to determine uncollectible promises receivable which is based on prior year's experience with collections and management's analysis of specific promises made. Management believes a large majority of the promises given through telemarketing are uncollectible.

**Fixed Assets:**

It is the policy of the Organization to record purchased fixed assets with a cost of more than \$1,000 at cost and donated assets at their fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets (computer equipment and software – 3-5 years).

New acquisitions of fixed assets having a low acquisition cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related asset.

**Contributed Services:**

Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization receives more than 5,000 volunteer hours per year.

**Inventory:**

The Organization accepts contributions of medicine, medical supplies, and other necessities. These contributions are recorded at their fair value at the date of receipt and are reflected as inventory in the Statement of Financial Position and as gifts in kind revenue in the Statement of Activity. The Organization donates the inventory to medical providers in sub-Saharan Africa on an as-needed basis, at which time the donation is reflected as an expense on the Statement of Activities.

**Taxation:**

The Organization is exempt from Federal Income Tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for Federal Income Tax purposes for contributions made to the Organization in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the Organization earns income considered to be unrelated business income. The Organization conducted no activities which were subject to income taxes.

The Organization's federal Form 990 (*Return of Organization Exempt from Income Tax*) for the years ended December 31, 2007, 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

**Use of Estimates:**

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2010 and 2009

**NOTE 2 AGENCY TRANSACTIONS**

The asset account "Cash and Cash Equivalents – Restricted for St. Mary's Mission Hospital" and the liability account "Due to St. Mary's Mission Hospital" represent contributions received by the Organization on behalf of St. Mary's Mission Hospital. The Organization's policy is to recognize the cash received and an offsetting liability until the cash is distributed to the ultimate beneficiary, at which time the asset and liability are removed from the Organization's books. The undistributed amount was \$296,607 and \$113,500 at December 31, 2010 and 2009, respectively.

**NOTE 3 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are those that have been restricted for the following purpose at December 31:

	<u>2010</u>	<u>2009</u>
Democratic Republic of the Congo	\$ 49,640	\$ 39,445
Unconditional Promises to Give	<u>-</u>	<u>33,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 49,640</u>	<u>\$ 72,445</u>

**NOTE 4 UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give, net of allowances consist of the following:

	<u>2010</u>	<u>2009</u>
Telemarketing Pledges	\$ -	\$ 30,000
Foundation Gift	<u>-</u>	<u>3,000</u>
Total	-	33,000
Less Current Amount Due	<u>-</u>	<u>33,000</u>
Due in One to Five Years	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 OPERATING LEASES**

Rent expense of \$800 per month is paid to Ashar Management and Consulting under a month-to-month operating lease agreement which is part of the management agreement which provides the services of the Organization's executive director. Rent expense was \$9,600 for the years ended December 31, 2010 and 2009, respectively.

**NOTE 6 CONCENTRATIONS**

Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution for the years ended December 31, 2010 and 2009. From time to time throughout the years ended December 31, 2010 and 2009, the Organization exceeded this threshold. The amount in excess of the FDIC limit was \$213,613 and \$0 at December 31, 2010 and 2009, respectively.

**AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2010 and 2009

**NOTE 6 CONCENTRATIONS (CONTINUED)**

Contribution Sources

The Organization had a major contributor which accounted for 67% and 85% of the Organization's gifts in-kind support for the years ended December 31, 2010 and 2009, respectively. Additionally, 65% and 78% of contributions were provided through one telemarketing organization for the years ended December 31, 2010 and 2009, respectively.

**NOTE 7 FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE 8 ADVERTISING**

The Organization expenses advertising costs as they are incurred. Advertising costs were \$674 and \$7,833 for the years ended December 31, 2010 and 2009, respectively.

**NOTE 9 RESTATEMENTS / RECLASSIFICATIONS**

Prior to 2010, gifts in kind were recorded as revenue and expense at the time they were disbursed by the Organization. In 2010, this policy was changed and the gifts in kind are now recorded at the time the donation is received. Therefore, gifts in kind donated before year end and disbursed after year end are recorded as inventory on the Statement of Financial Position at December 31, and as gifts in kind revenue on the Statement of Activities in the year received. The 2009 financial statements were restated to reflect this change.

Also in 2010, temporarily restricted contributions received and spent were recorded in the Statement of Activities. Previously, the temporarily restricted contributions were incorrectly recorded as part of the unrestricted contributions and unrestricted net assets on the Statements of Activities and Financial Position. Accordingly, the amounts shown for 2009 in the Statements of Financial Position and Activities have been restated to correct the error and to present the decrease in unrestricted contributions and increase in temporarily restricted contributions in the Statement of Activities and an increase in temporarily restricted net assets in the Statement of Financial Position.

Certain other 2009 amounts have been reclassified to conform to the 2010 financial statement presentation.

**NOTE 10 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 4, 2011, which is the date the financial statements were available to be issued.